

City of Detroit

CITY COUNCIL

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TO: Juanita Moore, President & Chief Executive Officer
Charles H. Wright Museum of African American History

FROM: Irvin Corley, Jr., Fiscal Analysis Director *ly.*

DATE: April 29, 2010

RE: 2010-2011 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2010-2011 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, May 5, 2010 at 3:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Department Director
Norman White, Chief Financial Officer
Renee Short, Budget Department Team Leader
Kamau Marable, Mayor's Office

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Charles H. Wright Museum of African-American History

FY 2010-2011 Budget Analysis by the Fiscal Division

Background

The Charles H. Wright Museum of African-American History is a nonprofit corporation that documents, preserves and educates the public on the history, life and culture of African Americans. Founded in 1965 by Dr. Charles H. Wright, the Museum serves as a resource center providing quality educational programs and exhibitions documenting the horror of slavery, the struggle for freedom, and the civil rights movement.

In 1999, the City entered into a long-term operating agreement with the Museum to manage and operate the facility, which also includes management and maintenance of the artifacts collection and presentation of exhibitions and other events. The Museum acts as an independent contractor of the City and, as such, has full authority to discharge its duties without restrictions, except for those imposed by the agreement. Under the terms of the agreement, the Museum petitions the city for operating funds each year.

The Museum receives operating funds from paid admissions, memberships, facility rentals, catering, store sales, special events, private contributions, and City's grants.

Summary

The Mayor's 2010-2011 Proposed Budget recommends a total contribution of \$1.9 million to the Museum, a decrease of \$.6 million (24%) from the City's fiscal year 2009-2010 contribution of \$2.5 million.

Significant Changes in Funding by Appropriation

| <u>Appro.</u> | <u>Program</u> | |
|---------------|---|---|
| 05414 | Museum of African American History - Operations | The Mayor's recommended budget of \$1.9 million for fiscal year 2010-2011 is \$.6 million less than the Mayor's fiscal year 2009-2010 Budget. |

Museum Operations

The Museum is open on the following days: Tuesday through Saturday from 9:00 a.m. to 5:00 p.m. and on Sunday from 1:00 p.m. to 5:00 p.m. The Museum has a total of 60 employees, 31 full-time and 29 part-time. Seven part time employees are temporary as part of a grant from JP Chase and will be off the payroll in August

2010. The museum is also exploring the possible reduction of 8 to 12 employees in the FY 2010-11 in connection with the proposed reduction in funding from the City of Detroit.

The Fiscal Year 2010 to 2011 Preliminary Budget Forecast section of the Museum's Budget Request includes \$5,242,000 in revenues, \$5,242,000 in expenditures, with no surplus or deficit. The Mayor's recommended budget includes an operating subsidy of \$1,950,000, which is \$550,000 less than the subsidy requested amount by the Museum.

2009-2010 Surplus/(Deficit)

The Museum anticipates a deficit for fiscal year 2009-2010 of **(\$157,910)**, which is composed of \$5,345,340 in revenue and \$5,503,250 in expenditures. However, the projected deficit could grow to \$295,410 if the museum does not receive an expected grant payment from the City of Detroit of \$625,000.

Issues and Questions

1. How is the Charles Wright Museum of African American History (MAAH) proactively handling the decreasing revenues over the past two years (2007 to 2009)?
2. The MAAH anticipates a 35% decrease in corporate donations and a 5 to 10% decrease in individual donations in FY 2010. In addition, MAAH does not anticipate receiving any financial support from the State of Michigan in FY 2010. What steps have been taken to adjust expenses to reflect these decreases?
3. What steps is the MAAH taking to lower or halt cash, investments and endowment fund decreases?
4. Is the MAAH planning to apply for any federal or state grants in the current fiscal year since grant revenue rose slightly in the last fiscal year?
5. The Wright Times is a great marketing tool for members. Has there been any thought given to distributing a smaller scale publication to non-members?
6. The MAAH requested \$796,000 in capital support from general obligation bonds but no capital funds are included in the Mayor's Proposed Budget. What projects were to be funded by the \$796,000 and how will the lack of funding affect the museum?
7. What is the museum's current operating unrestricted fund balance? What is the restricted fund balance?